

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 10, 2023**

The Arlington, located at 3300 W Washington Boulevard in Los Angeles, requested and is being recommended for a reservation of \$2,205,046 in annual federal tax credits and \$9,000,000 in total state tax credits to finance the new construction of 83 units of housing serving tenants with rents affordable to households earning 15%-50% of area median income (AMI). The project will be developed by Thomas Safran & Associates Development, Inc. and will be located in Senate District 28 and Assembly District 55.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the Infill Infrastructure Grant (IIG) & Multifamily Housing Program (MHP) programs of HCD.

Project Number CA-23-462

Project Name The Arlington
Site Address: 3300 W Washington Boulevard
Los Angeles, CA 90018
County: Los Angeles
Census Tract: 60372188.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,205,046	\$9,000,000
Recommended:	\$2,205,046	\$9,000,000

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Kingdom Development, Inc
Contact: William Leach
Address: 6451 Box Springs Boulevard
Riverside, CA 92507
Phone: (951) 538-6244
Email: william@kingdomdevelopment.net

General Partner(s) or Principal Owner(s): Arlington Heights LLC
Kingdom Arlington LLC
General Partner Type: Joint Venture
Parent Company(ies): Thomas Safran & Associates Development, Inc
Kingdom Development, Inc
Developer: Thomas Safran & Associates Development, Inc
Bond Issuer: California Municipal Finance Authority
Investor/Consultant: R4 Capital LLC
Management Agent: Thomas Safran & Associates, Inc

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 84
 No. / % of Low Income Units: 83 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (42 Units - 51%)

Information

Housing Type: Non-Targeted
 Geographic Area: City of Los Angeles
 CTCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
15% AMI:	42	51%
30% AMI:	16	19%
50% AMI:	25	30%

Unit Mix

42 SRO/Studio Units
21 2-Bedroom Units
21 3-Bedroom Units
<u>84 Total Units</u>

Unit Type & Number	2022 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
21 SRO/Studio	15%	\$312
8 SRO/Studio	30%	\$625
13 SRO/Studio	50%	\$1,042
11 2 Bedrooms	15%	\$402
4 2 Bedrooms	30%	\$804
6 2 Bedrooms	50%	\$1,340
10 3 Bedrooms	15%	\$464
4 3 Bedrooms	30%	\$929
6 3 Bedrooms	50%	\$1,548
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$7,893,375
Construction Costs	\$37,245,420
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,523,129
Soft Cost Contingency	\$822,288
Relocation	\$0
Architectural/Engineering	\$1,874,356
Const. Interest, Perm. Financing	\$9,434,136
Legal Fees	\$616,157
Reserves	\$521,576
Other Costs	\$2,974,387
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$66,404,824

Residential

Construction Cost Per Square Foot:	\$580
Per Unit Cost:	\$790,534
True Cash Per Unit Cost*:	\$777,436

Construction Financing

Source	Amount
R4 Capital Tax-Exempt	\$33,500,000
R4 Capital Taxable	\$21,983,248
Deferred Reserves	\$521,576
HCD - IIG	\$2,000,000
Deferred Fees	\$2,000,000
Tax Credit Equity	\$6,400,000

Permanent Financing

Source	Amount
R4 Capital	\$8,900,000
HCD - MHP	\$20,000,000
HCD-IIG	\$2,000,000
LAHD - AHMP	\$6,300,000
Deferred Developer Fee	\$1,100,203
Tax Credit Equity	\$28,104,621
TOTAL	\$66,404,824

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$55,126,156
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$55,126,156
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,205,046
Total State Credit:	\$9,000,000
Approved Developer Fee in Project Cost:	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$2,451,500
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	\$0.93991
State Tax Credit Factor:	\$0.81992

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions

This project has a cost of \$790,534 per unit, which is the result of extensive environmental factors, a redesign in the architectural plans to meet specific requirements to the site, which resulted in unusually high architectural, civil, MEP, other engineering/design costs, and entitlement/plan fees. These also led to higher acquisition loan interest, real estate taxes, and site maintenance due to the subsequent delays.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).